

CITY OF WHITE CLOUD  
Newaygo County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2006

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

|  |   |  |                          |
|--|---|--|--------------------------|
| <b>Local Government Type</b><br><input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other |   | <b>Local Government Name</b><br>City of White Cloud                    | <b>County</b><br>Newaygo |
| <b>Audit Date</b><br>June 30, 2006   | <b>Opinion Date</b><br>October 26, 2006 | <b>Date Accountant Report Submitted to State:</b><br>December 13, 2006 |                          |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

| We have enclosed the following:   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   | X        |                 |              |
| Reports on individual federal financial assistance programs (program audits). |          |                 | X            |
| Single Audit Reports (ASLGU).   |          |                 | X            |

|  |                         |                    |                     |
|--|-------------------------|--------------------|---------------------|
| <b>Certified Public Accountant (Firm Name)</b><br>Campbell, Kusterer & Co., P.C. |                         |                    |                     |
| <b>Street Address</b><br>512 N. Lincoln, Suite 100, P.O. Box 686                 | <b>City</b><br>Bay City | <b>State</b><br>MI | <b>Zip</b><br>48707 |
| <b>Accountant Signature</b><br><i>Campbell, Kusterer &amp; Co., P.C.</i>         |                         |                    |                     |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

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Newaygo County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

October 26, 2006

To the City Council  
City of White Cloud  
Newaygo County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of City of White Cloud, Newaygo County, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of White Cloud's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the City of White Cloud, Newaygo County, Michigan as of June 30, 2006, and the respective changes in financial position and cash flows where applicable, of these activities and funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2006, on our consideration of the City of White Cloud's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the City's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

CITY OF WHITE CLOUD  
Newaygo County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2006

This section of the City of White Cloud's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2006. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net Assets at June 30, 2006, totaled \$3,225,008.28 for governmental activities and \$607,603.09 for business-type activities. Of these totals, \$2,881,327.92 and \$459,579.33 respectively, represent capital assets net of depreciation and related debt for governmental and business-type activities. Overall, net assets increased by \$57,133.59 from the prior year.

During the year, the City completed the Wilcox/Charles Street and Streetscape Project. Although the financial planning, grant procurement, engineering/design, and construction of improvements to Wilcox and Charles Street transpired over three (3) fiscal years, the majority of actual construction and project development and related expenditures occurred during the fiscal year ending June 30, 2006. The capital improvement project included renovations on Charles Street from James to Pinehill and on Wilcox from Charles to Barton Street. Watermain improvements on Wilcox included the removal of an existing 6" watermain and installation of an 8" watermain to improve the capacity and reliability of the water system. Sanitary sewer improvements included upgrades to the existing system and replacement of sewer laterals to adjoining properties. Street improvements included new curb and gutter, bituminous concrete, sidewalk replacement where necessary, ornamental street lights, decorative pedestrian crosswalks, and park benches with trash receptacles. In addition, and with the financial support of The Freemont Area Community Foundation, a Welcome Corner was developed at the northeast corner of Charles and Wilcox complete with a kiosk and community information boards.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the City and the notes to the financial statements.

The first two statements are City wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities and/or business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the City in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the entity as a whole using accounting methods used by private companies. The statement of net assets includes all of the entity's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

CITY OF WHITE CLOUD  
Newaygo County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2006

ENTITY-WIDE FINANCIAL STATEMENTS (cont.)

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

Most of the activities of the City are reported as governmental activities. These would include the General, Cemetery, Park, Major Street, Local Street, Improvement Revolving, Land Acquisition and the Local Development Funds. Some activities such as the Water Fund are treated as business activities where the revenues of the activity are designed to pay for the operations of the activity.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's funds, focusing on significant (major) funds not the City as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The City Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The City has the following types of funds:

**Governmental Funds:** Most of the City's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the City's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The City's governmental funds include: General, Major Street, Local Street, Cemetery, Park, Improvement Revolving, Land Acquisition and Local Development.

**Proprietary Funds:** These funds represent activities in the government, which are basically treated like private sector companies. These funds are designed to have revenues earned adequate to pay for the operations of the activity. These funds are presented on a full accrual method and will show no difference between the City's government-wide statements and fund statements presentation. The City's proprietary funds include: Water and Equipment.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net Assets:** The City's combined net assets increased by \$57,133.59 during the year ended June 30, 2006, totaling \$3,832,611.37.

**Governmental Activities:** The net assets for governmental activities increased by \$19,245.52.

**Business-Type Activities:** The net assets for business-type activities increased by \$37,888.07.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

**General Fund:** This fund is used to record all activities of the City not required to be recorded in a separate fund. This would include parks, zoning, dam, building and grounds, legislative, administrative, elections, and public safety. The major source of revenue for the general fund is from the City tax base and the revenue sharing from the State of Michigan.

CITY OF WHITE CLOUD  
Newaygo County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2006

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (cont.)

Major Streets: This fund is used to record revenues and expenses for major streets located within the City. The major source of revenue comes from the State of Michigan in the form of Act 51 funding. This fund also records contributions from other entities contributing to paving projects. The major expense for this fund is construction of new paving projects and maintenance and snow removal.

Local Streets: This fund is used to record revenues and expenses for local streets within the City. Local street revenue comes from the State of Michigan in the form of Act 51 funding. This fund also records contributions from property owners who have been special assessed for improvements. The major expense for this fund is construction of new paving projects and maintenance and snow removal.

Cemetery Fund: The major source of revenue is from the sale of cemetery plots and openings for burials. The expenses incurred are for maintenance.

Park Fund: This fund is used to record revenues from the percentage of the activities of the campground. The expenses incurred are for maintenance and upgrades. This year expenses included electrical upgrades for several sites.

Water Fund: This fund is used to record revenues and expenses for the City water system. The revenues come from user charges and the expenses are incurred for operation and maintenance. The City reviewed the water charges.

Internal Service (Equipment Fund): This is used to record the operation of the fleet and major equipment. The primary source of revenue comes from equipment rental fees charged to the other funds of the City. The primary expenses are accrued from the operations and maintenance of equipment and vehicles.

Improvement Revolving Fund: This fund is used to record the major capital improvement projects.

Downtown Development Authority: This component unit is used to record the activities and projects of the DDA. Revenues are from the TIFA (Tax Increment Financing Agreement) from capture of increased tax revenues of certain properties from the City of White Cloud, Newaygo County and the White Cloud District Library.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Additions to City's governmental fund capital assets for this year totaled \$156,631.08 and the Water Fund totaled \$140,539.02.

Long-Term Debt:

Water System Bond Issue: The bond issue payments for this fiscal year totaled \$37,481.25 (\$19,500.00 principal and \$17,981.25 interest).

Loans Payable – MEDC: These loans had principal payments of \$8,268.53.

Notes payable on a dump truck, pickup truck, and auto: These loans had proceeds of \$22,551.00 and principal payments of \$14,755.10.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The City's plans for the future include street and water system improvements to Wilcox Street from M-37 to Barton Street. In addition, an enhanced streetscape project from M-37 to North Street will be a part of this project. The City is committed to constructing new sidewalks, repairing existing sidewalks and continually working to improve the water system.

CITY OF WHITE CLOUD  
Newaygo County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2006

CONTACTING THE CITY'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the City's finances and to demonstrate the City's accountability for the revenues it receives. If you have any questions concerning this report please contact Robert Sullivan, City Manager, or Bob Baldwin, City Mayor, by calling 231-689-1194 during the hours of 8 am to 5 pm, Monday through Friday.

CITY OF WHITE CLOUD  
Newaygo County, Michigan

**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
June 30, 2006

|  | Governmental<br>Activities | Business-Type<br>Activities | Total               | Component<br>Unit |
|--|----------------------------|-----------------------------|---------------------|-------------------|
| <b>ASSETS:</b>                                     |                            |                             |                     |                   |
| <b>CURRENT ASSETS:</b>                             |                            |                             |                     |                   |
| Cash on hand                                       | 1 738 70                   | -                           | 1 738 70            | -                 |
| Cash in bank                                       | 154 527 91                 | 37 431 71                   | 221 959 62          | 45 333 64         |
| Investments  | 154 507 76                 | 29 209 21                   | 183 716 97          | -                 |
| Accounts receivable                                | 926 98                     | 54 946 37                   | 55 873 35           | -                 |
| Due from State of Michigan                         | 70 680 77                  | -                           | 70 680 77           | -                 |
| Inventory  | -                          | 5 033 68                    | 5 033 68            | -                 |
| Prepaid expenses                                   | 3 298 88                   | -                           | 3 298 88            | -                 |
| <b>Total Current Assets</b>                        | <b>385 681 00</b>          | <b>156 620 97</b>           | <b>542 301 97</b>   | <b>45 333 64</b>  |
| <b>NON-CURRENT ASSETS:</b>                         |                            |                             |                     |                   |
| Capital Assets                                     | 3 919 378 17               | 2 138 696 33                | 6 058 074 50        | 33 745 23         |
| Less: Accumulated Depreciation                     | (595 042 78)               | (969 617 00)                | (1 564 659 78)      | (1 471 59)        |
| <b>Total Non-current Assets</b>                    | <b>3 324 335 39</b>        | <b>1 169 079 33</b>         | <b>4 493 414 72</b> | <b>32 273 64</b>  |
| <b>TOTAL ASSETS</b>                                | <b>3 710 016 39</b>        | <b>1 325 700 30</b>         | <b>5 035 716 69</b> | <b>77 607 28</b>  |
| <b>LIABILITIES AND NET ASSETS:</b>                 |                            |                             |                     |                   |
| <b>LIABILITIES:</b>                                |                            |                             |                     |                   |
| <b>CURRENT LIABILITIES:</b>                        |                            |                             |                     |                   |
| Accounts payable                                   | 12 122 08                  | 1 973 47                    | 14 095 55           | -                 |
| Accrued compensated absences                       | 29 878 56                  | 6 623 74                    | 36 502 30           | -                 |
| <b>Total Current Liabilities</b>                   | <b>42 000 64</b>           | <b>8 597 21</b>             | <b>50 597 85</b>    | <b>-</b>          |
| <b>NON-CURRENT LIABILITIES:</b>                    |                            |                             |                     |                   |
| Notes payable                                      | 34 203 05                  | -                           | 34 203 05           | -                 |
| Loans payable                                      | 408 804 42                 | -                           | 408 804 42          | -                 |
| Bonds payable                                      | -                          | 709 500 00                  | 709 500 00          | -                 |
| <b>Total Non-current Liabilities</b>               | <b>443 007 47</b>          | <b>709 500 00</b>           | <b>1 152 507 47</b> | <b>-</b>          |
| <b>Total Liabilities</b>                           | <b>485 008 11</b>          | <b>718 097 21</b>           | <b>1 203 105 32</b> | <b>-</b>          |
| <b>NET ASSETS:</b>                                 |                            |                             |                     |                   |
| Invested in Capital Assets,<br>Net of Related Debt | 2 881 327 92               | 459 579 33                  | 3 340 907 25        | 32 273 64         |
| Restricted   | -                          | 35 118 68                   | 35 118 68           | -                 |
| Unrestricted                                       | 343 680 36                 | 112 905 08                  | 456 585 44          | 45 333 64         |
| <b>Total Net Assets</b>                            | <b>3 225 008 28</b>        | <b>607 603 09</b>           | <b>3 832 611 37</b> | <b>77 607 28</b>  |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>            | <b>3 710 016 39</b>        | <b>1 325 700 30</b>         | <b>5 035 716 69</b> | <b>77 607 28</b>  |

The accompanying notes are an integral part of these financial statements.

CITY OF WHITE CLOUD  
Newaygo County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended June 30, 2006

|                                      |              | Program<br>Revenue      |                                  | Governmental<br>Activities              |
|--------------------------------------|--------------|-------------------------|----------------------------------|---|
|                                      |              |                         |                                  | Net (Expense)                           |
|                                      | Expenses     | Charges for<br>Services | Capital Grants/<br>Contributions | Revenue and<br>Changes in<br>Net Assets |
| <b>FUNCTIONS/PROGRAMS</b>            |              |                         |                                  |   |
| Governmental Activities:             |              |                         |                                  |   |
| Legislative                          | 7 447 24     | -                       | -                                | (7 447 24)                              |
| General government                   | 182 087 66   | 48 821 80               | -                                | (133 265 86)                            |
| Public safety                        | 220 026 39   | 6 016 18                | -                                | (214 010 21)                            |
| Public works                         | 820 821 35   | 7 009 81                | 388 195 00                       | (425 616 54)                            |
| Recreation and culture               | 26 240 86    | 1 834 00                | -                                | (24 406 86)                             |
| Interest on long-term debt           | 8 254 45     | -                       | -                                | (8 254 45)                              |
| Total Governmental Activities        | 1 264 877 95 | 63 681 79               | 388 195 00                       | (813 001 16)                            |
| Business-Type Activities:            |              |                         |                                  |   |
| Water                                | 207 473 11   | 292 763 74              | -                                | -                                       |
| Total Business-Type Activities       | 207 473 11   | 292 763 74              | -                                | -                                       |
| Total Primary Government             | 1 472 351 06 | 356 445 53              | 388 195 00                       | (813 001 16)                            |
| Component Unit                       | 16 998 24    | -                       | -                                |   |
| General Revenues:                    |              |                         |                                  |   |
| Property taxes                       |              |                         |                                  | 254 566 18                              |
| State revenue sharing                |              |                         |                                  | 323 510 13                              |
| Interest                             |              |                         |                                  | 18 359 00                               |
| Miscellaneous                        |              |                         |                                  | 108 452 01                              |
| Total General Revenues               |              |                         |                                  | 704 887 32                              |
| Transfers                            |              |                         |                                  | 127 359 36                              |
| Total General Revenues and Transfers |              |                         |                                  | 832 246 68                              |
| Change in net assets                 |              |                         |                                  | 19 245 52                               |
| Net assets, beginning of year        |              |                         |                                  | 3 205 762 76                            |
| Net Assets, End of Year              |              |                         |                                  | 3 225 008 28                            |

The accompanying notes are an integral part of these financial statements.

| <u>Business-Type<br/>Activities</u>                                | <u>Total</u>   |                           |
|--|--|---------------------------|
| <u>Net (Expense)<br/>Revenue and<br/>Changes in Net<br/>Assets</u> | <u>Net (Expense)<br/>Revenue and<br/>Changes in Net<br/>Assets</u> | <u>Component<br/>Unit</u> |
| -  | (7 447 24)   | -                         |
| -  | (133 265 86)   | -                         |
| -  | (214 010 21)   | -                         |
| -  | (425 616 54)   | -                         |
| -  | (24 406 86)  | -                         |
| -  | (8 254 45)   | -                         |
| -  | (813 001 16)   | -                         |
| <u>85 290 63</u>   | <u>85 290 63</u>   | <u>-</u>                  |
| <u>85 290 63</u>   | <u>85 290 63</u>   | <u>-</u>                  |
| <u>85 290 63</u>   | <u>(727 710 53)</u>  | <u>-</u>                  |
|  |  | <u>(16 998 24)</u>        |
| -  | 254 566 18   | 92 465 44                 |
| -  | 323 510 13   | -                         |
| 4 597 44   | 22 956 44  | 1 667 37                  |
| -  | 108 452 01   | -                         |
| <u>4 597 44</u>  | <u>709 484 76</u>  | <u>94 132 81</u>          |
| <u>(52 000 00)</u>   | <u>75 359 36</u>   | <u>(75 359 36)</u>        |
| <u>(47 402 56)</u>   | <u>784 844 12</u>  | <u>18 773 45</u>          |
| 37 888 07  | 57 133 59  | 1 775 21                  |
| <u>569 715 02</u>  | <u>3 775 477 78</u>  | <u>75 832 07</u>          |
| <u>607 603 09</u>  | <u>3 832 611 37</u>  | <u>77 607 28</u>          |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

**BALANCE SHEET – GOVERNMENTAL FUNDS**  
June 30, 2006

|   | <u>General</u>    | <u>Major<br/>Street</u> | <u>Local<br/>Street</u> | <u>Improvement<br/>Revolving</u> |
|---|-------------------|-------------------------|-------------------------|----------------------------------|
| <b><u>Assets</u></b>                      |                   |                         |                         |                                  |
| Cash on hand                              | 1 738 70          | -                       | -                       | -                                |
| Cash in bank                              | (60 283 71)       | 43 663 48               | 26 800 04               | 17 272 54                        |
| Investments                               | 154 507 76        | -                       | -                       | -                                |
| Accounts receivable                       | 926 98            | -                       | -                       | -                                |
| Due from State of Michigan                | 51 308 00         | 13 741 21               | 5 631 56                | -                                |
| Prepaid expenses                          | <u>3 298 88</u>   | <u>-</u>                | <u>-</u>                | <u>-</u>                         |
| Total Assets                              | <u>151 496 61</u> | <u>57 404 69</u>        | <u>32 431 60</u>        | <u>17 272 54</u>                 |
| <b><u>Liabilities and Fund Equity</u></b> |                   |                         |                         |                                  |
| Liabilities:                              |                   |                         |                         |                                  |
| Accounts payable                          | 10 364 19         | 910 94                  | 455 46                  | -                                |
| Accrued compensated<br>absences           | <u>21 388 48</u>  | <u>5 018 36</u>         | <u>2 509 17</u>         | <u>-</u>                         |
| Total liabilities                         | <u>31 852 67</u>  | <u>5 929 30</u>         | <u>2 964 63</u>         | <u>-</u>                         |
| Fund equity:                              |                   |                         |                         |                                  |
| Fund balances:                            |                   |                         |                         |                                  |
| Unreserved:                               |                   |                         |                         |                                  |
| Undesignated                              | <u>119 743 94</u> | <u>51 475 39</u>        | <u>29 466 97</u>        | <u>17 272 54</u>                 |
| Total fund equity                         | <u>119 743 94</u> | <u>51 475 39</u>        | <u>29 466 97</u>        | <u>17 272 54</u>                 |
| Total Liabilities and Fund Equity         | <u>151 496 61</u> | <u>57 404 69</u>        | <u>32 431 60</u>        | <u>17 272 54</u>                 |

The accompanying notes are an integral part of these financial statements.

| <u>Land<br/>Acquisition</u> | <u>Other<br/>Funds</u> | <u>Total</u>      |
|-----------------------------|------------------------|-------------------|
| -                           | -                      | 1 738 70          |
| 59 436 32                   | 17 391 59              | 104 280 26        |
| -                           | -                      | 154 507 76        |
| -                           | -                      | 926 98            |
| -                           | -                      | 70 680 77         |
| -                           | -                      | 3 298 88          |
| <u>59 436 32</u>            | <u>17 391 59</u>       | <u>335 433 35</u> |

|   |          |           |
|---|----------|-----------|
| - | 391 49   | 12 122 08 |
| - | 962 55   | 29 878 56 |
| - | 1 354 04 | 42 000 64 |

|                  |                  |                   |
|------------------|------------------|-------------------|
| <u>59 436 32</u> | <u>16 037 55</u> | <u>293 432 71</u> |
| <u>59 436 32</u> | <u>16 037 55</u> | <u>293 432 71</u> |
| <u>59 436 32</u> | <u>17 391 59</u> | <u>335 433 35</u> |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

June 30, 2006

|   |                            |
|---|----------------------------|
| TOTAL FUND BALANCES – GOVERNMENTAL FUNDS  | 293 432 71                 |
| Amounts reported for governmental activities in the statement of net assets are different because –   |                            |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:  |                            |
| Capital assets at cost  | 3 919 378 17               |
| Accumulated depreciation  | (595 042 78)               |
| Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the government funds:  |                            |
| Notes payable   | (34 203 05)                |
| Loans payable   | (408 804 42)               |
| The internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets. |                            |
| Add net assets of governmental activities accounted for in the internal service fund net of capital assets and long-term debt which are included above  | <u>50 247 65</u>           |
| TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES  | <u><u>3 225 008 28</u></u> |

The accompanying notes are an integral part of these financial statements.

CITY OF WHITE CLOUD  
Newaygo County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
GOVERNMENTAL FUNDS

June 30, 2006

|                            | <u>General</u>    | <u>Major<br/>Street</u> | <u>Local<br/>Street</u> | <u>Improvement<br/>Revolving</u> |
|----------------------------|-------------------|-------------------------|-------------------------|----------------------------------|
| Revenues:                  |                   |                         |                         |                                  |
| Property taxes             | 254 566 18        | -                       | -                       | -                                |
| Licenses and permits       | 9 497 53          | -                       | -                       | -                                |
| State revenue sharing      | 204 411 24        | 84 992 91               | 34 105 98               | -                                |
| Federal grants             | -                 | -                       | -                       | 388 195 00                       |
| Charges for services       | 21 899 27         | -                       | -                       | -                                |
| Fines and forfeits         | 6 016 18          | -                       | -                       | -                                |
| Interest                   | 14 524 56         | 2 004 94                | 1 136 02                | -                                |
| Rents                      | 9 125 00          | -                       | -                       | -                                |
| Special assessments        | -                 | 7 009 81                | -                       | -                                |
| Miscellaneous              | 11 728 61         | -                       | -                       | 37 989 60                        |
| Total revenues             | <u>531 768 57</u> | <u>94 007 66</u>        | <u>35 242 00</u>        | <u>426 184 60</u>                |
| Expenditures:              |                   |                         |                         |                                  |
| Legislative:               |                   |                         |                         |                                  |
| City Council and Mayor     | 7 447 24          | -                       | -                       | -                                |
| General government:        |                   |                         |                         |                                  |
| Elections                  | 1 291 63          | -                       | -                       | -                                |
| Assessor                   | 10 302 08         | -                       | -                       | -                                |
| Attorney                   | 709 01            | -                       | -                       | -                                |
| Building and grounds       | 33 663 52         | -                       | -                       | -                                |
| Manager and Clerk          | 56 073 79         | -                       | -                       | -                                |
| Board of Review            | 930 00            | -                       | -                       | -                                |
| Treasurer                  | 12 788 63         | -                       | -                       | -                                |
| Public relations           | 535 29            | -                       | -                       | -                                |
| Cemetery                   | -                 | -                       | -                       | -                                |
| Unallocated                | 23 226 75         | -                       | -                       | -                                |
| Public safety:             |                   |                         |                         |                                  |
| Police protection          | 179 956 42        | -                       | -                       | -                                |
| Fire protection            | 23 741 29         | -                       | -                       | -                                |
| Zoning                     | 12 995 34         | -                       | -                       | -                                |
| Public works:              |                   |                         |                         |                                  |
| Construction               | -                 | -                       | -                       | 571 921 62                       |
| Department of Public Works | 117 756 78        | -                       | -                       | -                                |
| Dam                        | 101 37            | -                       | -                       | -                                |
| Highways and Streets       | -                 | 95 197 15               | 37 250 66               | -                                |
| Airport                    | 2 579 00          | -                       | -                       | -                                |
| Culture and recreation:    |                   |                         |                         |                                  |
| Parks and recreation       | 19 751 17         | -                       | -                       | -                                |
| Capital outlay             | -                 | -                       | -                       | -                                |
| Debt service               | -                 | -                       | -                       | -                                |
| Total expenditures         | <u>503 849 31</u> | <u>95 197 15</u>        | <u>37 250 66</u>        | <u>571 921 62</u>                |

The accompanying notes are an integral part of these financial statements.

| <u>Land<br/>Acquisition</u> | <u>Other<br/>Funds</u> | <u>Total</u>        |
|-----------------------------|------------------------|---------------------|
| -                           | -                      | 254 566 18          |
| -                           | -                      | 9 497 53            |
| -                           | -                      | 323 5110 13         |
| -                           | -                      | 388 195 00          |
| -                           | 10 134 00              | 32 033 27           |
| -                           | -                      | 6 016 18            |
| -                           | 693 48                 | 18 359 00           |
| -                           | -                      | 9 125 00            |
| -                           | -                      | 7 009 81            |
| <u>57 733 80</u>            | <u>1 000 00</u>        | <u>108 452 01</u>   |
| <u>57 733 80</u>            | <u>11 827 48</u>       | <u>1 156 764 11</u> |
| -                           | -                      | 7 447 24            |
| -                           | -                      | 1 291 63            |
| -                           | -                      | 10 302 08           |
| -                           | -                      | 709 01              |
| 25 946 36                   | -                      | 59 609 88           |
| -                           | -                      | 56 073 79           |
| -                           | -                      | 930 00              |
| -                           | -                      | 12 788 63           |
| -                           | -                      | 535 29              |
| -                           | 14 946 14              | 14 946 14           |
| -                           | -                      | 23 226 75           |
| -                           | -                      | 179 956 42          |
| -                           | -                      | 23 741 29           |
| -                           | -                      | 12 995 34           |
| -                           | -                      | 571 921 62          |
| -                           | -                      | 117 756 78          |
| -                           | -                      | 101 37              |
| -                           | -                      | 132 447 81          |
| -                           | -                      | 2 579 00            |
| -                           | 2 113 50               | 21 864 67           |
| 118 710 48                  | 11 523 78              | 130 234 26          |
| -                           | 16 522 98              | 16 522 98           |
| <u>144 656 84</u>           | <u>45 106 40</u>       | <u>1 397 981 98</u> |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
GOVERNMENTAL FUNDS  
June 30, 2006

|  | <u>General</u>           | <u>Major<br/>Street</u> | <u>Local<br/>Street</u> | <u>Improvement<br/>Revolving</u> |
|--|--------------------------|-------------------------|-------------------------|----------------------------------|
| Excess (deficiency) of revenues<br>over expenditures                                     | <u>27 919 26</u>         | <u>(1 189 49)</u>       | <u>(2 008 66)</u>       | <u>(145 737 02)</u>              |
| Other financing sources (uses):  |                          |                         |                         |                                  |
| Transfers (to) from other funds  | (70 484 47)              | -                       | -                       | 163 000 00                       |
| Transfers from component unit  | -                        | -                       | -                       | -                                |
| Total other financing sources (uses)   | <u>(70 484 47)</u>       | <u>-</u>                | <u>-</u>                | <u>163 000 00</u>                |
| Excess (deficiency) of revenues and<br>other sources over expenditures<br>and other uses | (42 565 21)              | (1 189 49)              | (2 008 66)              | 17 262 98                        |
| Fund balances, July 1  | <u>162 309 15</u>        | <u>52 664 88</u>        | <u>31 475 63</u>        | <u>9 56</u>                      |
| Fund Balances, June 30   | <u><u>119 743 94</u></u> | <u><u>51 475 39</u></u> | <u><u>29 466 97</u></u> | <u><u>17 272 54</u></u>          |

The accompanying notes are an integral part of these financial statements.

| <u>Land<br/>Acquisition</u> | <u>Other<br/>Funds</u> | <u>Total</u>        |
|-----------------------------|------------------------|---------------------|
| <u>(86 923 04)</u>          | <u>(33 278 92)</u>     | <u>(241 217 87)</u> |
| -                           | 16 484 47              | 109 000 00          |
| <u>6 359 36</u>             | <u>12 000 00</u>       | <u>18 359 36</u>    |
| <u>6 359 36</u>             | <u>28 484 47</u>       | <u>127 359 36</u>   |
| (80 563 68)                 | (4 794 45)             | (113 858 51)        |
| <u>140 000 00</u>           | <u>20 832 00</u>       | <u>407 291 22</u>   |
| <u>59 436 32</u>            | <u>16 037 55</u>       | <u>293 432 71</u>   |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (113 858 51)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

|                      |             |
|----------------------|-------------|
| Depreciation Expense | (15 383 99) |
| Capital Outlay       | 130 234 26  |

Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

|                                       |          |
|---------------------------------------|----------|
| Principal payments on long-term debt: |          |
| Note payable                          | 8 268 53 |

The internal service fund is used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

|   |                 |
|---|-----------------|
| Add: net operating income (loss) from governmental activities accounted for in the internal service fund. | <u>9 985 23</u> |
|---|-----------------|

|   |                         |
|---|-------------------------|
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u><u>19 245 52</u></u> |
|---|-------------------------|

The accompanying notes are an integral part of these financial statements.

CITY OF WHITE CLOUD  
Newaygo County, Michigan

STATEMENT OF NET ASSETS – ALL PROPRIETARY FUNDS  
June 30, 2006

|   | <u>Proprietary Fund Types</u> |                             |
|---|-------------------------------|-----------------------------|
|   | <u>Enterprise -<br/>Water</u> | <u>Internal<br/>Service</u> |
| <u>Assets</u>                                   |                               |                             |
| Cash in bank                                    | 67 431 71                     | 50 247 65                   |
| Investments                                     | 29 209 21                     | -                           |
| Accounts receivable                             | 54 946 37                     | -                           |
| Inventory                                       | 5 033 68                      | -                           |
| Water system                                    | 2 138 696 33                  | 349 368 66                  |
| Accumulated depreciation                        | <u>(969 617 00)</u>           | <u>(273 143 21)</u>         |
| Total Assets                                    | <u>1 325 700 30</u>           | <u>126 473 10</u>           |
| <u>Liabilities and Net Assets</u>               |                               |                             |
| Liabilities:                                    |                               |                             |
| Accounts payable                                | 1 973 47                      | -                           |
| Accrued compensated absences                    | 6 623 74                      | -                           |
| Notes payable                                   | -                             | 34 203 05                   |
| Bonds payable                                   | <u>709 500 00</u>             | <u>-</u>                    |
| Total liabilities                               | <u>718 097 21</u>             | <u>34 203 05</u>            |
| Net assets:                                     |                               |                             |
| Invested in capital assets, net of related debt | 459 579 33                    | 42 022 40                   |
| Restricted                                      | 35 118 68                     | -                           |
| Unrestricted                                    | <u>112 905 08</u>             | <u>50 247 65</u>            |
| Total net assets                                | <u>607 603 09</u>             | <u>92 270 05</u>            |
| Total Liabilities and Net Assets                | <u>1 325 700 30</u>           | <u>126 473 10</u>           |

The accompanying notes are an integral part of these financial statements.

CITY OF WHITE CLOUD  
Newaygo County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – ALL PROPRIETARY FUNDS  
Year ended June 30, 2006

|  | <u>Proprietary Fund Types</u> |                             |
|--|-------------------------------|-----------------------------|
|  | <u>Enterprise -<br/>Water</u> | <u>Internal<br/>Service</u> |
| Operating revenues:                          |                               |                             |
| Service charges                              | 174 459 01                    | 44 100 00                   |
| Penalties                                    | 689 33                        | -                           |
| Miscellaneous                                | <u>117 615 40</u>             | <u>2 501 00</u>             |
| Total operating revenues                     | <u>292 763 74</u>             | <u>46 601 00</u>            |
| Less operating expenses:                     |                               |                             |
| Wages  | 46 728 81                     | -                           |
| Fringe benefits                              | 18 346 03                     | -                           |
| Operating supplies                           | 27 326 18                     | 926 68                      |
| Professional fees                            | 4 828 76                      | -                           |
| Insurance                                    | 5 000 00                      | 1 000 00                    |
| Utilities                                    | 15 223 64                     | -                           |
| Repairs and maintenance                      | 1 435 63                      | 10 428 46                   |
| Equipment rental                             | 11 000 00                     | -                           |
| Miscellaneous                                | <u>208 16</u>                 | <u>-</u>                    |
| Total operating expenses before depreciation | <u>130 097 21</u>             | <u>12 355 14</u>            |
| Operating income before depreciation         | 162 666 53                    | 34 245 86                   |
| Less: depreciation                           | <u>(59 394 65)</u>            | <u>(23 423 74)</u>          |
| Operating income (loss)                      | <u>103 271 88</u>             | <u>10 822 12</u>            |
| Non-operating income (expense):              |                               |                             |
| Interest earnings                            | 4 597 44                      | 1 204 06                    |
| Transfers to other funds                     | (52 000 00)                   | -                           |
| Interest expense                             | <u>(17 981 25)</u>            | <u>(2 040 95)</u>           |
| Net non-operating income (expense)           | <u>(65 383 81)</u>            | <u>(836 89)</u>             |
| Net income (loss)                            | 37 888 07                     | 9 985 23                    |
| Net assets, beginning of year                | <u>569 715 02</u>             | <u>82 284 82</u>            |
| Net Assets, End of Year                      | <u>607 603 09</u>             | <u>92 270 05</u>            |

The accompanying notes are an integral part of these financial statements.

CITY OF WHITE CLOUD  
Newaygo County, Michigan

STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUNDS  
Year ended June 30, 2006

|  | <u>Proprietary Fund Types</u> |                             |
|--|-------------------------------|-----------------------------|
|  | <u>Enterprise -<br/>Water</u> | <u>Internal<br/>Service</u> |
| Cash flows from operating activities:  |                               |                             |
| Cash received from customers   | 187 105 36                    | 44 100 00                   |
| Cash received from others  | 117 615 40                    | 2 501 00                    |
| Cash payments to suppliers for goods and services  | (84 994 45)                   | (12 355 14)                 |
| Cash payments to employees for services  | (43 784 88)                   | -                           |
| Net cash provided (used) for operating activities  | <u>175 941 43</u>             | <u>34 245 86</u>            |
| Cash flows from non-capital financing activities:  |                               |                             |
| Transfers to other funds   | (52 000 00)                   | -                           |
| Net cash provided (used) by non-capital financial activities                             | <u>(52 000 00)</u>            | <u>-</u>                    |
| Cash flows from capital and related financing activities:                                |                               |                             |
| Acquisition of fixed assets  | (140 539 02)                  | (26 396 82)                 |
| Loan proceeds  | -                             | 22 551 00                   |
| Payment of principal on long-term debt   | (19 500 00)                   | (14 755 10)                 |
| Payment of interest on long-term debt  | (17 981 25)                   | (2 040 95)                  |
| Net cash provided (used) for capital and related financing activities                    | <u>(178 020 27)</u>           | <u>(20 641 87)</u>          |
| Cash flows from investing activities:  |                               |                             |
| Interest income  | 4 597 44                      | 1 204 06                    |
| Net cash provided (used) for investing activities  | <u>4 597 44</u>               | <u>1 204 06</u>             |
| Net increase (decrease) in cash and cash equivalents                                     | (49 481 40)                   | 14 808 05                   |
| Cash and cash equivalents, July 1  | <u>146 122 32</u>             | <u>35 439 60</u>            |
| Cash and Cash Equivalents, June 30   | <u>96 640 92</u>              | <u>50 247 65</u>            |
| Reconciliation of operating income to net cash provided (used) for operating activities: |                               |                             |
| Operating income (loss)  | 103 271 88                    | 10 822 12                   |
| Depreciation   | 59 394 65                     | 23 423 74                   |
| Increase (decrease) in assets and liabilities:   |                               |                             |
| Accounts receivable  | 11 957 02                     | -                           |
| Inventory  | (1 626 05)                    | -                           |
| Accounts payable   | 1 973 47                      | -                           |
| Accrued compensated absences   | 970 46                        | -                           |
| Net Cash Provided (Used) for Operating Activities  | <u>175 941 43</u>             | <u>34 245 86</u>            |

The accompanying notes are an integral part of these financial statements.

CITY OF WHITE CLOUD  
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the City of White Cloud, Newaygo County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

**Reporting Entity**

The financial statements of the City contain all the funds and component units that are controlled by or dependent on the City's executive or legislative branches.

The reporting entity is the City of White Cloud. The City is governed by an elected City Council and Mayor. As required by generally accepted accounting principles, these financial statements present the City as the primary government. The component unit disclosed below is discretely presented in the City's reporting entity due to the significance of the City's operational and financial relationship's with the component unit.

**Component Unit**

The Downtown Development Authority is reported as a discretely presented component unit within the reporting entity of the City. It is reported in a separate column to emphasize that it is legally separate from the City. The members of the governing board of the component unit are appointed by the City. The component unit is fiscally dependent on the City.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

CITY OF WHITE CLOUD  
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Joint Ventures

The City and the Township of Sherman jointly form the White Cloud Sherman Utility Authority to provide sewer services for the two entities. The City has guaranteed 26.4% of the sewer system bonded debt. Total outstanding bonded debt at June 30, 2006, is \$692,500.00. The City's potential responsibility is \$182,820.00. This amount has not been recorded as a liability of the City.

The City and the Township's of Everett, Lincoln, Sherman and Wilcox jointly operate the White Cloud Area Fire Department to provide fire protection services for the five entities. For the fiscal year ended March 31, 2006, the City provided \$23,682.67 the Fire District which represented 13.9% of its operating revenue. As of March 31, 2006, the long-term debt of the Fire District was \$0.

The joint ventures of the City are not considered a part of the reporting entity of the City. Separate financial statements of the joint ventures may be obtained directly from them.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds

Water Fund

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water enterprise fund are charges to customers for services. The enterprise fund also recognizes as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF WHITE CLOUD  
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Internal Service Fund

The Equipment Fund is used to record the financing of goods or services provided by the local unit to other departments and funds or to other governmental units on a cost reimbursements basis.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the City. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventory is recorded in the Water Fund at the lower of cost or market, with cost determined on a first-in, first-out (FIFO) basis. All purchases for materials are reflected in expenses when paid in other funds.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 15 before they are added to the county tax rolls. The City 2005 tax roll millage rate was 17.5689 mills, and the taxable value was \$18,831,799.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the City as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

|                         |             |
|-------------------------|-------------|
| Buildings               | 20-30 years |
| Furniture and equipment | 3-10 years  |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

The estimated current portion of the liability for vacation and sick leave benefits attributable to the City's governmental funds is recorded as an expenditure and liability in the respective funds. The amounts attributable to proprietary funds are charged to expense and a corresponding liability in the applicable fund. Employees may accumulate up to 150 days of vacation and unused sick leave for which they are paid upon termination of employment.

Post-employment Benefits

The City provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the City Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the City Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the City Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the City Council during the fiscal year.

CITY OF WHITE CLOUD  
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**Note 3 – Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the City to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The City Council has designated three banks for the deposit of City funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The City's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

|                | <u>Carrying Amounts</u>       |                           |
|----------------|-------------------------------|---------------------------|
|                | <u>Primary<br/>Government</u> | <u>Component<br/>Unit</u> |
| Total Deposits | <u>221 959 62</u>             | <u>45 333 64</u>          |

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

|                                | <u>Bank Balances</u>          |                           |
|--------------------------------|-------------------------------|---------------------------|
|                                | <u>Primary<br/>Government</u> | <u>Component<br/>Unit</u> |
| Insured (FDIC)                 | 145 113 71                    | 45 333 64                 |
| Uninsured and Uncollateralized | <u>139 796 93</u>             | <u>-</u>                  |
| Total Deposits                 | <u>284 910 64</u>             | <u>45 333 64</u>          |

The City's investments are categorized below to give an indication of the level of risk assumed by the City. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the City or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the City's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the City's name.

The GASB Statement No. 3 risk disclosures for the City's investments are categorized as follows:

|                        | <u>(1)</u> | <u>(2)</u> | <u>(3)</u> | <u>Carrying<br/>Amount</u> |
|------------------------|------------|------------|------------|----------------------------|
| <u>Investment Type</u> |            |            |            |                            |
| Risk-Categorized:      |            |            |            |                            |
| Operating Funds        | <u>-</u>   | <u>-</u>   | <u>-</u>   | <u>-</u>                   |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

Note 3 – Deposits and Investments (continued)

|  | <u>(1)</u> | <u>(2)</u> | <u>(3)</u> | <u>Carrying<br/>Amount</u> |
|--|------------|------------|------------|----------------------------|
| Total Risk-Categorized Investments                             | <u>-</u>   | <u>-</u>   | <u>-</u>   | -                          |
| Non-risk-Categorized:<br>Financial Institution<br>Pooled Funds |            |            |            | <u>183 716 97</u>          |
| Total Investments – Primary Government                         |            |            |            | <u>183 716 97</u>          |

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 4 – Capital Assets

Capital asset activity of the City's Governmental activities for the current year was as follows:

|                                      | <u>Balance<br/>7/1/05</u> | <u>Additions</u>   | <u>Deletions</u>  | <u>Balance<br/>6/30/06</u> |
|--------------------------------------|---------------------------|--------------------|-------------------|----------------------------|
| <u>Governmental Activities:</u>      |                           |                    |                   |                            |
| Land and improvements                | 3 010 000 00              | 130 234 26         | -                 | 3 140 234 26               |
| Buildings and improvements           | 368 500 00                | -                  | -                 | 368 500 00                 |
| Equipment                            | <u>392 253 09</u>         | <u>26 396 82</u>   | <u>(8 006 00)</u> | <u>410 643 91</u>          |
| Total                                | 3 770 753 09              | 156 631 08         | (8 006 00)        | 3 919 378 17               |
| Accumulated Depreciation             | <u>(564 241 05)</u>       | <u>(38 807 73)</u> | <u>8 006 00</u>   | <u>(595 042 78)</u>        |
| Net Governmental<br>Capital Assets   | <u>3 206 512 04</u>       | <u>117 823 35</u>  | <u>-</u>          | <u>3 324 335 39</u>        |
| <u>Business-Type Activities:</u>     |                           |                    |                   |                            |
| Water System                         | 1 998 157 31              | 140 539 02         | -                 | 2 138 696 33               |
| Accumulated Depreciation             | <u>(910 222 35)</u>       | <u>(59 394 65)</u> | <u>-</u>          | <u>(969 617 00)</u>        |
| Net Business-Type<br>Capital Assets  | <u>1 087 934 96</u>       | <u>81 144 37</u>   | <u>-</u>          | <u>1 169 079 33</u>        |
| <u>Component Unit</u>                |                           |                    |                   |                            |
| Land                                 | 28 839 96                 | -                  | -                 | 28 839 96                  |
| Equipment                            | <u>4 905 27</u>           | <u>-</u>           | <u>-</u>          | <u>4 905 27</u>            |
| Total                                | 33 745 23                 | -                  | -                 | 33 745 23                  |
| Accumulated Depreciation             | <u>(981 06)</u>           | <u>(490 53)</u>    | <u>-</u>          | <u>(1 471 59)</u>          |
| Net Component Unit<br>Capital Assets | <u>32 764 17</u>          | <u>(490 53)</u>    | <u>-</u>          | <u>32 273 64</u>           |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**Note 5 – Deferred Compensation Plan**

The City of White Cloud offers all of its' employees a choice of three deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (a custodial account) as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of these Section 457 plans, and the assets may not be diverted to any other use. The administrators are agents of the City of White Cloud for the purposes of providing direction to the custodian of the custodial account for time to time for the investment of the funds held in account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the City of White Cloud's financial statements.

**Note 6 – Pension Plan**

Plan Description

The City has a defined benefit pension plan covering substantially all full-time employees. The plan is operated by the State of Michigan Municipal Employees Retirement System (MERS), which is a cost-sharing multiple-employer retirement system.

The pension plan provides pension, death and disability benefits. Benefits vest after 10 years of service. Normal retirement is based on one of the following requirements:

1. Age 60 and 10 or more years of credited service.
2. Age 55 and 20 or more years of credited service.
3. Age 55 and 15 or more years of credited service (reduced benefit).
4. Age 50 and 25 or more years of credited service.

The City's current year covered payroll and its total current year payroll for all employees amounted to \$189,665.18 and \$305,947.15 respectively.

Pension Benefit Obligation

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2005. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases of 4.5% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement, for persons under Benefit E-1 or E-2.

Actuarial Accrued Liability:

|  |           |
|--|-----------|
| Retirees and beneficiaries currently receiving benefits                  | \$116,305 |
| Terminated employees not yet receiving benefits                          | 109,058   |
| Current employees –  |           |
| Accumulated employee contributions including allocated investment income | 0         |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

Note 6 – Pension Plan (continued)

Plan Description

Pension Benefit Obligation

|  |                         |
|--|-------------------------|
| Employer financed  | <u>291 657</u>          |
| Total Actuarial Accrued Liability  | 517 020                 |
| Net Assets Available for Benefits, at Actuarial Value<br>(Market Value is \$339 293) | <u>348 476</u>          |
| Overfunded (Unfunded) Actuarial Accrual Liability                                    | <u><u>(168 544)</u></u> |

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The annual required contribution for the fiscal year beginning July 1, 2007, is \$27,048.00 with an amortization factor used of 0.053632.

Total employer contributions made during the fiscal year ended June 30, 2006, amounted to \$30,555.06.

Note 7 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

|                           | <u>Balance<br/>7/1/05</u>  | <u>Additions</u>        | <u>Deductions</u>       | <u>Balance<br/>6/30/06</u> |
|---------------------------|----------------------------|-------------------------|-------------------------|----------------------------|
| Loan payable – MEDC       |                            |                         |                         |                            |
| – 2001                    | 277 072 95                 | -                       | 8 268 53                | 268 804 42                 |
| Loan payable – MEDC       |                            |                         |                         |                            |
| – 2005                    | 140 000 00                 | -                       | -                       | 140 000 00                 |
| Bonds payable – water     |                            |                         |                         |                            |
| 1999 revenue              | 729 000 00                 | -                       | 19 500 00               | 709 500 00                 |
| Note payable – Chevrolet  |                            |                         |                         |                            |
| – 2002                    | 7 111 91                   | -                       | 5 291 63                | 1 820 28                   |
| Note payable – dump truck | 2 985 14                   | -                       | 2 985 14                | -                          |
| Note payable – Chevrolet  |                            |                         |                         |                            |
| – 2005                    | 16 310 10                  | -                       | 3 878 88                | 12 431 22                  |
| Note payable - 2006       |                            |                         |                         |                            |
| Ford pickup               | <u>-</u>                   | <u>22 551 00</u>        | <u>2 599 45</u>         | <u>19 951 55</u>           |
| Total                     | <u><u>1 172 480 10</u></u> | <u><u>22 551 00</u></u> | <u><u>42 523 63</u></u> | <u><u>1 152 507 47</u></u> |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**Note 8 – Loan Payable – MEDC – 2001**

On June 19, 2001, the City of White Cloud obtained a loan from the Michigan Economic Development Corporation in the amount of \$281,113.96 to partially fund infrastructure improvement in the City's industrial park. During the term of the project, June 1, 2001, to May 31, 2006, the City may earn credits up to 50% of the principal balance, for qualifying net new jobs created and added to the existing job base. Principal and interest payments are to be made quarterly beginning June 1, 2004, through June 1, 2016. The loan bears interest at the rate of 6.0% per annum. As of June 30, 2006, the outstanding principal balance was \$268,804.42.

**Note 9 – Loan Payable – MEDC – 2006**

On May 9, 2006, the City of White Cloud obtained a loan from the Michigan Economic Development Corporation in the amount of \$160,000.00 to fund the acquisition of real estate. The loan is non-interest bearing. As of June 30, 2006, \$140,000.00 of the loan proceeds had been received and that is the outstanding principal balance. The debt service schedule is as follows:

| <u>Due<br/>Date</u> | <u>Principal<br/>Amount</u> |
|---------------------|-----------------------------|
| 6/1/06              | 8 000 00                    |
| 6/1/07              | 8 000 00                    |
| 6/1/08              | 18 000 00                   |
| 6/1/09              | 18 000 00                   |
| 6/1/10              | 18 000 00                   |
| 6/1/11              | 18 000 00                   |
| 6/1/12              | 18 000 00                   |
| 6/1/13              | 18 000 00                   |
| 6/1/14              | 18 000 00                   |
| 6/1/15              | <u>18 000 00</u>            |
| Total               | <u>160 000 00</u>           |

**Note 10 – Water Supply System Revenue Bonds, Series 1999**

On September 30, 1999, the City issued \$827,162.00 of its bonds to fund the acquisition, construction and installation of improvements to the City's existing water supply system including but not limited to, water tower replacement and water system transmission extensions and improvements. The bond principal and interest at the rate of 2.5% per annum, are to be repaid from the revenues of the Water Fund. As of June 30, 2006, the outstanding bond principal was \$709,500.00 and it is recorded as a liability in the Water Fund. The debt service schedule is as follows:

| <u>Due<br/>Date</u> | <u>Principal<br/>Amount</u> | <u>Interest<br/>Amount</u> | <u>Total<br/>Amount</u> |
|---------------------|-----------------------------|----------------------------|-------------------------|
| 4/1/06              | -                           | 8 868 75                   | 8 868 75                |
| 10/1/06             | 19 500 00                   | 8 868 75                   | 28 368 75               |
| 4/1/07              | -                           | 8 625 00                   | 8 625 00                |
| 10/1/07             | 24 500 00                   | 8 625 00                   | 33 125 00               |
| 4/1/08              | -                           | 8 318 75                   | 8 318 75                |
| 10/1/08             | 24 500 00                   | 8 318 75                   | 32 818 75               |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

Note 10 – Water Supply System Revenue Bonds, Series 1999 (continued)

| <u>Due<br/>Date</u> | <u>Principal<br/>Amount</u> | <u>Interest<br/>Amount</u> | <u>Total<br/>Amount</u> |
|---------------------|-----------------------------|----------------------------|-------------------------|
| 4/1/09              | -                           | 8 012 50                   | 8 012 50                |
| 10/1/09             | 24 500 00                   | 8 012 50                   | 32 512 50               |
| 4/1/10              | -                           | 7 706 25                   | 7 706 25                |
| 10/1/10             | 24 500 00                   | 7 706 25                   | 32 206 25               |
| 4/1/11              | -                           | 7 400 00                   | 7 400 00                |
| 10/1/11             | 24 500 00                   | 7 400 00                   | 31 900 00               |
| 4/1/12              | -                           | 7 093 75                   | 7 093 75                |
| 10/1/12             | 24 500 00                   | 7 093 75                   | 31 593 75               |
| 4/1/13              | -                           | 6 787 50                   | 6 787 50                |
| 10/1/13             | 24 500 00                   | 6 787 50                   | 31 287 50               |
| 4/1/14              | -                           | 6 481 25                   | 6 481 25                |
| 10/1/14             | 24 500 00                   | 6 481 25                   | 30 981 25               |
| 4/1/15              | -                           | 6 175 00                   | 6 175 00                |
| 10/1/15             | 24 500 00                   | 6 175 00                   | 30 675 00               |
| 4/1/16              | -                           | 5 868 75                   | 5 868 75                |
| 10/1/16             | 29 500 00                   | 5 868 75                   | 35 368 75               |
| 4/1/17              | -                           | 5 500 00                   | 5 500 00                |
| 10/1/17             | 30 000 00                   | 5 500 00                   | 35 500 00               |
| 4/1/18              | -                           | 5 125 00                   | 5 125 00                |
| 10/1/18             | 30 000 00                   | 5 125 00                   | 35 125 00               |
| 4/1/19              | -                           | 4 750 00                   | 4 750 00                |
| 10/1/19             | 30 000 00                   | 4 750 00                   | 34 750 00               |
| 4/1/20              | -                           | 4 375 00                   | 4 375 00                |
| 10/1/20             | 30 000 00                   | 4 375 00                   | 34 375 00               |
| 4/1/21              | -                           | 4 000 00                   | 4 000 00                |
| 10/1/21             | 30 000 00                   | 4 000 00                   | 34 000 00               |
| 4/1/22              | -                           | 3 625 00                   | 3 625 00                |
| 10/1/22             | 35 000 00                   | 3 625 00                   | 38 625 00               |
| 4/1/23              | -                           | 3 187 50                   | 3 187 50                |
| 10/1/23             | 35 000 00                   | 3 187 50                   | 38 187 50               |
| 4/1/24              | -                           | 2 750 00                   | 2 750 00                |
| 10/1/24             | 35 000 00                   | 2 750 00                   | 37 750 00               |
| 4/1/25              | -                           | 2 312 50                   | 2 312 50                |
| 10/1/25             | 35 000 00                   | 2 312 50                   | 37 312 50               |
| 4/1/26              | -                           | 1 875 00                   | 1 875 00                |
| 10/1/26             | 35 000 00                   | 1 875 00                   | 36 875 00               |
| 4/1/27              | -                           | 1 437 50                   | 1 437 50                |
| 10/1/27             | 35 000 00                   | 1 437 50                   | 36 437 50               |
| 4/1/28              | -                           | 1 000 00                   | 1 000 00                |
| 10/1/28             | 40 000 00                   | 1 000 00                   | 41 000 00               |
| 4/1/29              | -                           | 500 00                     | 500 00                  |
| 10/1/29             | 40 000 00                   | 500 00                     | 40 500 00               |
| Total               | <u>\$709 500 00</u>         | <u>\$243 550 00</u>        | <u>\$953 050 00</u>     |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**Note 11 – Equipment Fund Notes Payable**

Note Payable – Chevrolet – 2002: On November 25, 2002, the City acquired a Chevrolet Impala for \$20,377.78, through a note payable to GMAC. The agreement requires twelve quarterly payments in the amount of \$1,849.07, which includes principal and interest at the rate of 6.35% per annum. As of June 30, 2006, \$1,820.28 of the principal remained outstanding.

Note Payable – Chevrolet – 2006: On May 12, 2006, the City acquired a Chevrolet Impala for \$17,583.00 through a note payable to GMAC. The agreement requires sixteen quarterly payments in the amount of \$1,272.90, which includes principal and interest at the rate of 8.15% per annum. As of June 30, 2006, \$12,431.22 of the principal remained outstanding.

Note Payable – 2006 Ford Pickup: On November 9, 2005, the City acquired a 2006 Ford Pickup Truck \$22,551.00, through a note payable to Valley Ridge Bank. The agreement requires sixteen quarterly payments in the amount of \$1,553.18, which includes principal and interest at the rate of 4.60% per annum. As of June 30, 2006, \$19,951.55 of the principal remained outstanding.

**Note 12 – Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The City has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 13 – Building Permits**

The City of White Cloud does not issue building permits. Building permits are issued by the County of Newaygo.

**Note 14 – Interfund Transfers**

The amounts of interfund transfers were as follows:

| <u>Fund</u>           | <u>Transfers In</u> | <u>Fund</u> | <u>Transfers Out</u> |
|-----------------------|---------------------|-------------|----------------------|
| Improvement Revolving | 54 000 00           | General     | 54 000 00            |
| Local Development     | 16 484 47           | General     | 16 484 47            |
| Improvement Revolving | 52 000 00           | Water       | 52 000 00            |
| Park                  | 12 000 00           | DDA         | 12 000 00            |
| Land Acquisition      | 6 359 36            | DDA         | 6 359 36             |
| Improvement Revolving | 57 000 00           | DDA         | 57 000 00            |
| Total                 | <u>197 843 83</u>   | Total       | <u>197 843 83</u>    |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended June 30, 2006

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>      | <u>Variance with<br/>Final Budget<br/>Over<br/>(Under)</u> |
|--|----------------------------|-------------------------|--------------------|--|
| Revenues:  |                            |                         |                    |  |
| Property taxes                                       | 262 000 00                 | 262 000 00              | 254 566 18         | (7 433 82)   |
| Licenses and permits                                 | 5 600 00                   | 5 600 00                | 9 497 53           | 3 897 53   |
| State revenue sharing                                | 169 040 00                 | 169 040 00              | 204 411 24         | 35 371 24  |
| Charges for services                                 | 14 020 00                  | 14 020 00               | 21 899 27          | 7 879 27   |
| Fines and forfeits                                   | 8 000 00                   | 8 000 00                | 6 016 18           | (1 983 82)   |
| Interest   | 5 000 00                   | 5 000 00                | 14 524 56          | 9 524 56   |
| Rents  | 14 000 00                  | 14 000 00               | 9 125 00           | (4 875 00)   |
| Miscellaneous  | <u>10 750 00</u>           | <u>9 531 00</u>         | <u>11 728 61</u>   | <u>2 197 61</u>  |
| Total revenues                                       | <u>488 410 00</u>          | <u>487 191 00</u>       | <u>531 768 57</u>  | <u>44 577 57</u>   |
| Expenditures:  |                            |                         |                    |  |
| Legislative:   |                            |                         |                    |  |
| City Council and Mayor                               | 12 710 00                  | 10 523 00               | 7 447 24           | (3 075 76)   |
| General government:                                  |                            |                         |                    |  |
| Elections  | 2 700 00                   | 2 700 00                | 1 291 63           | (1 408 37)   |
| Assessor   | 9 075 00                   | 10 321 00               | 10 302 08          | (18 92)  |
| Attorney   | 1 000 00                   | 1 000 00                | 33 663 52          | (290 99)   |
| Building and grounds                                 | 20 850 00                  | 34 000 00               | 56 073 79          | (336 48)   |
| Manager and Clerk                                    | 31 765 00                  | 56 531 00               | 930 00             | (457 21)   |
| Board of Review                                      | 1 000 00                   | 1 000 00                | 709 01             | (70 00)  |
| Treasurer  | 17 534 00                  | 13 825 00               | 12 788 63          | (1 036 37)   |
| Public relations                                     | 1 100 00                   | 1 100 00                | 535 29             | (564 71)   |
| Unallocated  | 84 576 00                  | 23 800 00               | 23 226 75          | (573 25)   |
| Public safety:                                       |                            |                         |                    |  |
| Police protection                                    | 164 311 00                 | 180 908 00              | 179 956 42         | (951 58)   |
| Fire protection                                      | 22 000 00                  | 24 000 00               | 23 741 29          | (258 71)   |
| Zoning   | 11 210 00                  | 13 055 00               | 12 995 34          | (59 66)  |
| Public works:  |                            |                         |                    |  |
| Department of Public Works                           | 103 670 00                 | 121 792 00              | 117 756 78         | (4 035 22)   |
| Dam  | 200 00                     | 200 00                  | 101 37             | (98 63)  |
| Airport  | 3 000 00                   | 3 000 00                | 2 579 00           | (421 00)   |
| Recreation and culture:                              |                            |                         |                    |  |
| Parks and recreation                                 | <u>20 920 00</u>           | <u>21 913 00</u>        | <u>19 751 17</u>   | <u>(2 161 83)</u>  |
| Total expenditures                                   | <u>507 621 00</u>          | <u>519 668 00</u>       | <u>503 849 31</u>  | <u>(15 818 69)</u>   |
| Excess (deficiency) of revenues<br>over expenditures | <u>(19 211 00)</u>         | <u>(32 477 00)</u>      | <u>27 919 26</u>   | <u>60 396 26</u>   |
| Other financing sources (uses):                      |                            |                         |                    |  |
| Transfers to other funds                             | <u>-</u>                   | <u>(70 523 00)</u>      | <u>(70 484 47)</u> | <u>38 53</u>   |
| Total other financing sources (uses)                 | <u>-</u>                   | <u>(70 523 00)</u>      | <u>(70 484 47)</u> | <u>38 53</u>   |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended June 30, 2006

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>     | <u>Variance with<br/>Final Budget<br/>Over<br/>(Under)</u> |
|--|----------------------------|-------------------------|-------------------|--|
| Excess (deficiency) of revenues and<br>other sources over expenditures<br>and other uses | (19 211 00)                | (103 000 00)            | (42 565 21)       | 60 434 79  |
| Fund balance, July 1   | <u>23 000 00</u>           | <u>104 200 00</u>       | <u>162 309 15</u> | <u>58 109 15</u>   |
| Fund Balance, June 30  | <u>3 789 00</u>            | <u>1 200 00</u>         | <u>119 743 94</u> | <u>118 543 94</u>  |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

**BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND**  
Year ended June 30, 2006

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>           | <u>Variance with<br/>Final Budget<br/>Over<br/>(Under)</u> |
|--|----------------------------|-------------------------|-------------------------|--|
| Revenues:  |                            |                         |                         |  |
| State revenue sharing                                | 88 500 00                  | 88 500 00               | 84 992 91               | (3 507 09)   |
| Interest   | 500 00                     | 500 00                  | 2 004 94                | 1 504 94   |
| Special assessments                                  | <u>3 000 00</u>            | <u>3 000 00</u>         | <u>7 009 81</u>         | <u>4 009 81</u>  |
| Total revenues                                       | <u>92 000 00</u>           | <u>92 000 00</u>        | <u>94 007 66</u>        | <u>2 007 66</u>  |
| Expenditures:  |                            |                         |                         |  |
| Public works:  |                            |                         |                         |  |
| Highways and streets                                 | <u>85 360 00</u>           | <u>97 000 00</u>        | <u>95 197 15</u>        | <u>(1 802 85)</u>  |
| Total expenditures                                   | <u>85 360 00</u>           | <u>97 000 00</u>        | <u>95 197 15</u>        | <u>(1 802 85)</u>  |
| Excess (deficiency) of revenues<br>over expenditures | 6 640 00                   | (5 000 00)              | (1 189 49)              | 3 810 51   |
| Fund balance, July 1                                 | <u>-</u>                   | <u>5 000 00</u>         | <u>52 664 88</u>        | <u>47 664 88</u>   |
| Fund Balance, June 30                                | <u><u>6 640 00</u></u>     | <u><u>-</u></u>         | <u><u>51 475 39</u></u> | <u><u>51 475 39</u></u>                                    |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND  
Year ended June 30, 2006

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance with<br/>Final Budget<br/>Over<br/>(Under)</u> |
|--|----------------------------|-------------------------|------------------|--|
| Revenues:  |                            |                         |                  |  |
| State revenue sharing                                | 40 900 00                  | 40 900 00               | 34 105 98        | (6 794 02)   |
| Interest   | 250 00                     | 250 00                  | 1 136 02         | 886 02   |
| Total revenues                                       | <u>41 150 00</u>           | <u>41 150 00</u>        | <u>35 242 00</u> | <u>(5 908 00)</u>  |
| Expenditures:  |                            |                         |                  |  |
| Public works:  |                            |                         |                  |  |
| Highways and streets                                 | <u>31 400 00</u>           | <u>41 150 00</u>        | <u>37 250 66</u> | <u>(3 899 34)</u>  |
| Total expenditures                                   | <u>31 400 00</u>           | <u>41 150 00</u>        | <u>37 250 66</u> | <u>(3 899 34)</u>  |
| Excess (deficiency) of revenues<br>over expenditures | 9 750 00                   | -                       | (2 008 66)       | (2 008 66)   |
| Fund balance, July 1                                 | <u>-</u>                   | <u>-</u>                | <u>31 475 63</u> | <u>31 475 63</u>   |
| Fund Balance, June 30                                | <u>9 750 00</u>            | <u>-</u>                | <u>29 466 97</u> | <u>29 466 97</u>   |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

**BUDGETARY COMPARISON SCHEDULE – IMPROVEMENT REVOLVING FUND**  
Year ended June 30, 2006

|  | Original<br>Budget | Final<br>Budget | Actual       | Variance with<br>Final Budget<br>Over<br>(Under) |
|--|--------------------|-----------------|--------------|--|
| Revenues:  |                    |                 |              |  |
| Federal grants   | -                  | 908 000 00      | 388 195 00   | (519 805 00)                                     |
| Miscellaneous  | -                  | 17 990 00       | 37 989 60    | 19 999 60  |
| Total revenues   | -                  | 925 990 00      | 426 184 60   | (499 805 40)                                     |
| Expenditures:  |                    |                 |              |  |
| Public works   | 164 740 00         | 1 088 990 00    | 571 921 62   | (517 068 38)                                     |
| Total expenditures   | 164 740 00         | 1 088 990 00    | 571 921 62   | (517 068 38)                                     |
| Excess (deficiency) of revenues<br>over expenditures                                     | (164 740 00)       | (163 000 00)    | (145 737 02) | 17 262 98  |
| Other financing sources (uses):  |                    |                 |              |  |
| Transfers from other funds   | 164 740 00         | 163 000 00      | 163 000 00   | -  |
| Total other financing sources (uses)   | 164 740 00         | 163 000 00      | 163 000 00   | -  |
| Excess (deficiency) of revenues and<br>other sources over expenditures<br>and other uses | -                  | -               | 17 262 98    | 17 262 98  |
| Fund balance, July 1   | -                  | -               | 9 56         | 9 56   |
| Fund Balance, June 30  | -                  | -               | 17 272 54    | 17 272 54  |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

**BUDGETARY COMPARISON SCHEDULE – LAND ACQUISITION FUND**  
Year ended June 30, 2006

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u> | <u>Variance with<br/>Final Budget<br/>Over<br/>(Under)</u> |
|--|----------------------------|-------------------------|---------------|--|
| Revenues:  |                            |                         |               |  |
| Miscellaneous  | -                          | -                       | 57 733 80     | 57 733 80  |
| Total revenues   | -                          | -                       | 57 733 80     | 57 733 80  |
| Expenditures:  |                            |                         |               |  |
| General government:  |                            |                         |               |  |
| Building and grounds   | -                          | 30 000 00               | 25 946 36     | (4 053 64)   |
| Capital outlay   | -                          | 135 000 00              | 118 710 48    | (16 289 52)  |
| Total expenditures   | -                          | 165 000 00              | 144 656 84    | (20 343 16)  |
| Excess (deficiency) of revenues<br>over expenditures                                     | -                          | (165 000 00)            | (86 923 04)   | 78 076 96  |
| Other financing sources (uses):  |                            |                         |               |  |
| Transfers from component unit  | -                          | 25 000 00               | 6 359 36      | (18 640 64)  |
| Total other financing sources (uses)   | -                          | 25 000 00               | 6 359 36      | (18 640 64)  |
| Excess (deficiency) of revenues and<br>other sources over expenditures<br>and other uses | -                          | (140 000 00)            | (80 563 68)   | 59 436 32  |
| Fund balance, July 1   | -                          | 140 000 00              | 140 000 00    | -  |
| Fund Balance, June 30  | -                          | -                       | 59 436 32     | 59 436 32  |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2006

|                           |                  |
|---------------------------|------------------|
| City Council and Mayor:   |                  |
| Salaries and wages        | 5 250 00         |
| Social security           | 160 68           |
| Workmen's compensation    | 4 44             |
| Printing and publishing   | 561 78           |
| Miscellaneous             | 247 34           |
| Dues                      | 1 223 00         |
|                           | <u>7 447 24</u>  |
| Elections:                |                  |
| Salaries and wages        | 470 23           |
| Supplies                  | 313 50           |
| Printing and publishing   | 397 53           |
| Miscellaneous             | 110 37           |
|                           | <u>1 291 63</u>  |
| Assessor:                 |                  |
| Contracted services       | 8 400 00         |
| Supplies                  | 935 60           |
| Miscellaneous             | 966 48           |
|                           | <u>10 302 08</u> |
| Attorney                  | <u>709 01</u>    |
| Building and grounds:     |                  |
| Telephone                 | 7 860 03         |
| Professional services     | 5 819 00         |
| Supplies                  | 7 773 87         |
| Postage                   | 2 341 57         |
| Utilities                 | 7 501 21         |
| Repairs and maintenance   | 338 03           |
| Miscellaneous             | 2 029 81         |
|                           | <u>33 663 52</u> |
| Manager and Clerk:        |                  |
| Salaries and wages        | 47 612 93        |
| Social security           | 3 642 30         |
| Hospitalization insurance | 2 748 41         |
| Retirement                | 1 347 97         |
| Life insurance            | 193 44           |
| Worker's compensation     | 195 21           |
| Miscellaneous             | 333 53           |
|                           | <u>56 073 79</u> |
| Board of Review:          |                  |
| Salaries and wages        | 720 00           |
| Printing and publishing   | 210 00           |
|                           | <u>930 00</u>    |
| Treasurer:                |                  |
| Salaries and wages        | 8 479 85         |
| Social security           | 648 74           |
| Hospitalization           | 1 374 22         |
| Retirement                | 621 85           |
| Life insurance            | 19 44            |
| Professional services     | 741 48           |
| Miscellaneous             | 903 05           |
|                           | <u>12 788 63</u> |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2006

|                             |                   |
|-----------------------------|-------------------|
| Public relations:           |                   |
| Miscellaneous               | <u>535 29</u>     |
| Unallocated:                |                   |
| Audit                       | 2 500 00          |
| Liability insurance         | 13 632 00         |
| City hall expenses          | 4 094 75          |
| Economic development        | <u>3 000 00</u>   |
|                             | <u>23 226 75</u>  |
| Police protection:          |                   |
| Salaries and wages          | 111 216 44        |
| Social security             | 8 622 65          |
| Hospitalization             | 11 135 41         |
| Retirement                  | 8 919 00          |
| Life insurance              | 263 41            |
| Workmen's compensation      | 2 401 02          |
| Office supplies             | 2 104 29          |
| Uniform expense             | 199 63            |
| Professional services       | 5 748 18          |
| Gas and oil                 | 6 070 31          |
| Wrecker fees                | 1 878 00          |
| Liability insurance         | 2 550 00          |
| Repairs and maintenance     | 810 53            |
| Miscellaneous               | 5 545 68          |
| Training and memberships    | 1 391 87          |
| Equipment rental            | <u>11 100 00</u>  |
|                             | <u>179 956 42</u> |
| Fire protection:            |                   |
| Contracted services         | <u>23 741 29</u>  |
| Zoning:                     |                   |
| Salaries and wages          | 8 098 30          |
| Social security             | 680 77            |
| Retirement                  | 1 402 94          |
| Miscellaneous               | <u>2 813 33</u>   |
|                             | <u>12 995 34</u>  |
| Department of Public Works: |                   |
| Wages                       | 49 014 70         |
| Social security             | 3 627 70          |
| Health insurance            | 7 940 74          |
| Retirement                  | 6 848 78          |
| Life insurance              | 221 22            |
| Operating supplies          | 5 005 15          |
| Gas and oil                 | 9 526 67          |
| Liability insurance         | 1 000 00          |
| Utilities                   | 3 159 95          |
| Street lighting             | 25 447 38         |
| Repairs and maintenance     | 2 145 95          |
| Miscellaneous               | <u>3 818 54</u>   |
|                             | <u>117 756 78</u> |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2006

|                         |                          |
|-------------------------|--------------------------|
| Dam:                    |                          |
| Utilities               | <u>101 37</u>            |
| Airport:                |                          |
| Liability insurance     | <u>2 579 00</u>          |
| Parks and recreation:   |                          |
| Salaries and wages      | 6 247 12                 |
| Social security         | 486 08                   |
| Contracted services     | 1 281 00                 |
| Repairs and maintenance | 2 401 96                 |
| Utilities               | 4 703 59                 |
| Operating supplies      | 2 524 22                 |
| Miscellaneous           | 1 507 20                 |
| Liability insurance     | <u>600 00</u>            |
|                         | <u>19 751 17</u>         |
| Total Expenditures      | <u><u>503 849 31</u></u> |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS  
June 30, 2006

|                                      | <u>Major Street</u> | <u>Local Street</u> | <u>Cemetery</u>  | <u>Park</u>     | <u>Improvement<br/>Revolving</u> |
|--------------------------------------|---------------------|---------------------|------------------|-----------------|----------------------------------|
| <u>Assets</u>                        |                     |                     |                  |                 |                                  |
| Cash in bank                         | 43 663 48           | 26 800 04           | 14 011 69        | 2 379 90        | 17 272 54                        |
| Due from State of Michigan           | <u>13 741 21</u>    | <u>5 631 56</u>     | <u>-</u>         | <u>-</u>        | <u>-</u>                         |
| Total Assets                         | <u>57 404 69</u>    | <u>32 431 60</u>    | <u>14 011 69</u> | <u>2 379 90</u> | <u>17 272 54</u>                 |
| <u>Liabilities and Fund Balances</u> |                     |                     |                  |                 |                                  |
| Liabilities:                         |                     |                     |                  |                 |                                  |
| Accrued payroll                      | 910 94              | 455 46              | 391 49           | -               | -                                |
| Accrued compensated<br>absences      | <u>5 018 36</u>     | <u>2 509 17</u>     | <u>962 55</u>    | <u>-</u>        | <u>-</u>                         |
| Total liabilities                    | <u>5 929 30</u>     | <u>2 964 63</u>     | <u>1 354 04</u>  | <u>-</u>        | <u>-</u>                         |
| Fund balances:                       |                     |                     |                  |                 |                                  |
| Unreserved:                          |                     |                     |                  |                 |                                  |
| Undesignated                         | <u>51 475 39</u>    | <u>29 466 97</u>    | <u>12 657 65</u> | <u>2 379 90</u> | <u>17 272 54</u>                 |
| Total fund balances                  | <u>51 475 39</u>    | <u>29 466 97</u>    | <u>12 657 65</u> | <u>2 379 90</u> | <u>17 272 54</u>                 |
| Total Liabilities and Fund Balances  | <u>57 404 69</u>    | <u>32 431 60</u>    | <u>14 011 69</u> | <u>2 379 90</u> | <u>17 272 54</u>                 |

| <u>Land<br/>Acquisition</u> | <u>Local<br/>Development</u> | <u>Total</u>      |
|-----------------------------|------------------------------|-------------------|
| 59 436 32                   | 1 000 00                     | 164 563 97        |
| <u>-</u>                    | <u>-</u>                     | <u>19 372 77</u>  |
| <u>59 436 32</u>            | <u>1 000 00</u>              | <u>183 936 74</u> |
| -                           | -                            | 1 757 89          |
| <u>-</u>                    | <u>-</u>                     | <u>8 490 08</u>   |
| <u>-</u>                    | <u>-</u>                     | <u>10 247 97</u>  |
| <u>59 436 32</u>            | <u>1 000 00</u>              | <u>173 688 77</u> |
| <u>59 436 32</u>            | <u>1 000 00</u>              | <u>173 688 77</u> |
| <u>59 436 32</u>            | <u>1 000 00</u>              | <u>183 936 74</u> |

CITY OF WHITE CLOUD  
Newaygo County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS  
Year ended June 30, 2006

|  | <u>Major Street</u> | <u>Local Street</u> | <u>Cemetery</u>   | <u>Park</u>        | <u>Improvement<br/>Revolving</u> |
|--|---------------------|---------------------|-------------------|--------------------|----------------------------------|
| Revenues:  |                     |                     |                   |                    |                                  |
| Federal grant  | -                   | -                   | -                 | -                  | 388 195 00                       |
| State revenue sharing  | 84 992 91           | 34 105 98           | -                 | -                  | -                                |
| Charges for services   | -                   | -                   | 8 300 00          | 1 834 00           | -                                |
| Interest   | 2 004 94            | 1 136 02            | 601 98            | 91 50              | -                                |
| Special assessments  | 7 009 81            | -                   | -                 | -                  | -                                |
| Miscellaneous  | -                   | -                   | -                 | -                  | 37 989 60                        |
| Total revenues   | <u>94 007 66</u>    | <u>35 242 00</u>    | <u>8 901 98</u>   | <u>1 925 50</u>    | <u>426 184 60</u>                |
| Expenditures:  |                     |                     |                   |                    |                                  |
| General government:  |                     |                     |                   |                    |                                  |
| Building and grounds   | -                   | -                   | -                 | -                  | -                                |
| Cemetery   | -                   | -                   | 14 946 14         | -                  | -                                |
| Public works:  |                     |                     |                   |                    |                                  |
| Construction   | -                   | -                   | -                 | -                  | 571 921 62                       |
| Routine maintenance  | 81 083 67           | 34 038 69           | -                 | -                  | -                                |
| Traffic services   | 113 48              | -                   | -                 | -                  | -                                |
| Winter maintenance   | 10 000 00           | 2 001 97            | -                 | -                  | -                                |
| Truckline maintenance  | 1 000 00            | -                   | -                 | -                  | -                                |
| Administration   | 3 000 00            | 1 200 00            | -                 | -                  | -                                |
| Recreation and culture:  |                     |                     |                   |                    |                                  |
| Parks and recreation   | -                   | -                   | -                 | 2 113 50           | -                                |
| Capital outlay   | -                   | -                   | -                 | 11 523 78          | -                                |
| Debt service   | -                   | -                   | -                 | -                  | -                                |
| Total expenditures   | <u>95 197 15</u>    | <u>37 250 66</u>    | <u>14 946 14</u>  | <u>13 637 28</u>   | <u>571 921 62</u>                |
| Excess (deficiency) of revenues<br>over expenditures                                     | <u>(1 189 49)</u>   | <u>(2 008 66)</u>   | <u>(6 044 16)</u> | <u>(11 711 78)</u> | <u>(145 737 02)</u>              |
| Other financing sources (uses):  |                     |                     |                   |                    |                                  |
| Transfers from other funds   | -                   | -                   | -                 | -                  | 163 000 00                       |
| Transfer from component unit   | -                   | -                   | -                 | 12 000 00          | -                                |
| Total other financing sources (uses)   | <u>-</u>            | <u>-</u>            | <u>-</u>          | <u>-</u>           | <u>71 270 00</u>                 |
| Excess (deficiency) of revenues and<br>other sources over expenditures<br>and other uses | (1 189 49)          | (2 008 66)          | (6 044 16)        | 288 22             | 17 262 98                        |
| Fund balances, July 1  | <u>52 664 88</u>    | <u>31 475 63</u>    | <u>18 701 81</u>  | <u>2 091 68</u>    | <u>9 56</u>                      |
| Fund Balances, June 30   | <u>51 475 39</u>    | <u>29 466 97</u>    | <u>12 657 65</u>  | <u>2 379 90</u>    | <u>17 272 54</u>                 |

| <u>Land<br/>Acquisition</u> | <u>Local<br/>Development</u> | <u>Total</u>        |
|-----------------------------|------------------------------|---------------------|
| -                           | -                            | 388 195 00          |
| -                           | -                            | 119 098 89          |
| -                           | -                            | 10 134 00           |
| -                           | -                            | 3 834 44            |
| -                           | -                            | 7 009 81            |
| <u>57 733 80</u>            | <u>1 000 00</u>              | <u>96 723 40</u>    |
| <u>57 733 80</u>            | <u>1 000 00</u>              | <u>624 995 54</u>   |
| 25 946 36                   | -                            | 25 946 36           |
| -                           | -                            | 14 946 14           |
| -                           | -                            | 571 921 62          |
| -                           | -                            | 115 122 36          |
| -                           | -                            | 113 48              |
| -                           | -                            | 12 011 97           |
| -                           | -                            | 1 000 00            |
| -                           | -                            | 4 200 00            |
| -                           | -                            | 2 113 50            |
| 118 710 48                  | -                            | 130 234 26          |
| <u>-</u>                    | <u>16 522 98</u>             | <u>16 522 98</u>    |
| <u>144 656 84</u>           | <u>16 522 98</u>             | <u>894 132 67</u>   |
| <u>(86 923 04)</u>          | <u>(15 522 98)</u>           | <u>(269 137 13)</u> |
| -                           | 16 484 47                    | 179 570 00          |
| <u>6 359 36</u>             | <u>-</u>                     | <u>18 359 36</u>    |
| <u>6 359 36</u>             | <u>16 484 47</u>             | <u>197 843 83</u>   |
| (80 563 68)                 | 961 49                       | (71 293 30)         |
| <u>140 000 00</u>           | <u>38 51</u>                 | <u>244 982 07</u>   |
| <u>59 436 32</u>            | <u>1 000 00</u>              | <u>173 688 77</u>   |

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 26, 2006

To the City Council  
City of White Cloud  
Newaygo County, Michigan

We have audited the financial statements of the City of White Cloud, Newaygo County, Michigan, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 26, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether City of White Cloud's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered City of White Cloud's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our study and evaluation disclosed the following condition that we believe to be a material weakness for which management believes corrective action is not practicable in the circumstances. Within the present plan of organization of the City there is an inadequate control over cash transactions caused by an inadequate segregation of duties which is due to the limited number of office personnel employed. Such study and evaluation disclosed no conditions that we believe to be material weaknesses for which corrective action by management is practicable in the circumstances.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

# **CAMPBELL, KUSTERER & CO., P.C.**

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

October 26, 2006

To the City Council  
City of White Cloud  
Newaygo County, Michigan

We have audited the financial statements of the City of White Cloud for the year ended June 30, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the City of White Cloud in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the City Council  
City of White Cloud  
Newaygo County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the City's financial statements and this communication of these matters does not affect our report on the City's financial statements, dated June 30, 2006.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants